

Message Text

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ACTION EB-12

INFO OCT-01 EUR-25 IO-14 ISO-00 FEA-02 AGR-20 CEA-02

CIAE-00 COME-00 DODE-00 FRB-03 H-03 INR-11 INT-08

L-03 LAB-06 NSAE-00 NSC-07 PA-04 RSC-01 AID-20

CIEP-03 SS-20 STR-08 TAR-02 TRSE-00 USIA-15 PRS-01

SP-03 OMB-01 SWF-02 DRC-01 /198 W

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R 020720Z OCT 74

FM AMEMBASSY HELSINKI
TO SECSTATE WASHDC 7924
INFO AMEMBASSY BONN
AMEMBASSY BUCHAREST
AMEMBASSY BUDAPEST
AMEMBASSY COPENHAGEN
AMEMBASSY MOSCOW
AMEMBASSY OSLO
AMEMBASSY PRAGUE
AMEMBASSY SOFIA
AMEMBASSY STOCKHOLM
AMEMBASSY WARSAW
USMISSION BERLIN
USMISSION GENEVA
USMISSION EC BRUSSELS

LIMITED OFFICIAL USE SECTION 1 OF 2 HELSINKI 1975

E.O. 11652: N/A

TAGS: EEWT, GATT, FI, CZ, XH

SUBJ: FINLAND - CZECHOSLOVAKIA AGREEMENT FOR
RECIPROCAL REMOVAL OF OBSTACLES TO TRADE

REF: A) HELSINKI 1116; B) HELSINKI 1034; C) HELSINKI 1915

1. SUMMARY: AN AGREEMENT HAS BEEN SIGNED BETWEEN
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FINLAND AND CZECHOSLOVAKIA PROVIDING, INTER ALIA, FOR

THE ELIMINATION OF MOST CUSTOMS DUTIES. IT COVERS ALMOST ALL PRODUCTS EXCEPT FOOD AND AGRICULTURAL PRODUCTS FROM CZECHOSLOVAKIA, ON WHICH FINNS WILL MAINTAIN PRESENT DUTIES. GENUINELY RECIPROCAL ELIMINATION OF DUTIES IS IMPOSSIBLE BECAUSE CZECH CUSTOMS TARIFF SYSTEM IS VIRTUALLY INOPERATIVE: CONFORMITY OF AGREEMENT WITH GATT ARTICLE 24 IS THEREFORE IN QUESTION, ALTHOUGH FINNS BELIEVE THEY HAVE SECURED QUID PRO QUO FOR AGREED REDUCTION OF MOST FINNISH CUSTOMS DUTIES TO ZERO. FOREIGN MINISTRY OFFERS TO SEND MINISTRY OFFICIAL TO BRIEF DEPUTY SPECIAL TRADE REPRESENTATIVE AMBASSADOR HAROLD MALMGREN ON FINNISH-CZECH AND SIMILAR AGREEMENTS, PREFERABLY SOMEWHERE IN EUROPE. END SUMMARY.

2. AN AGREEMENT HAS BEEN SIGNED BETWEEN FINLAND AND CZECHOSLOVAKIA PROVIDING FOR BOTH PARTIES QUOTE TO ELIMINATE PROGRESSIVELY THE OBSTACLES TO SUBSTANTIALLY ALL THEIR TRADE. END QUOTE. IT WAS SIGNED IN HELSINKI ON SEPT. 19, THE FINAL DAY OF THE OFFICIAL VISIT OF CZECH COMMUNIST PARTY LEADER DR. GUSTAV HUSAK (REF C). THE FOREGOING QUOTE IS FROM THE PREAMBLE TO THE AGREEMENT. THE PREAMBLE ALSO STATES THAT THIS WOULD BE DONE IN ACCORDANCE WITH THE PROVISIONS OF GATT CONCERNING THE ESTABLISHMENT OF FREE TRADE AREAS. THE AGREEMENT IS SIMILAR IN MOST RESPECTS TO THOSE SIGNED EARLIER THIS YEAR WITH BULGARIA AND HUNGARY. (REFTEL A DISCUSSED THESE IN SOME DETAIL AND COPIES OF EACH WERE FORWARDED TO WASHINGTON FOR EXPERT ANALYSIS.) THE JUST-SIGNED AGREEMENT IS IN ENGLISH AND IS TITLED AGREEMENT BETWEEN THE REPUBLIC OF FINLAND AND THE CZECHOSLOVAK SOCIALIST REPUBLIC ON THE RECIPROCAL REMOVAL OF OBSTACLES TO TRADE. FOUR PROTOCOLS FORM AN INTEGRAL PART OF THE AGREEMENT.

3. THE FIRST PROTOCOL DEALS WITH PRODUCTS CHIEFLY AGRICULTURAL, FALLING WITHIN B.T.N. CHAPTERS 1 THROUGH 24. IN IT CZECHOSLOVAKIA AGREES TO APPLY CUSTOMS DUTY ELIMINATION PROVISIONS OF AGREEMENT TO ALL THESE PRODUCTS BUT FINLAND ONLY TO APPLY THEM TO BTN 12.06, HOP CONES AND LUPULIN. PROTOCOL 2 IS SHORT LIST OF MANUFACTURED PRODUCTS ON WHICH FINNISH CUSTOMS DUTIES WILL BE LOWERED ON SCHEDULE CALLING FOR 15 PERCENT LIMITED OFFICIAL USE

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REDUCTION ON JANUARY 1, 1975, WITH ZERO RATE NOT BEING ATTAINED UNTIL JANUARY 1, 1985. IN RESPECT TO OTHER MANUFACTURED PRODUCTS, FINLAND AND CZECHOSLOVAKIA AGREE TO REDUCTION TO 40 PERCENT OF EXISTING BASIC DUTY ON JANUARY 1, 1975, AND TO TWO FURTHER REDUCTIONS OF 20 PERCENT EACH ON JANUARY 1, 1975, AND JULY 1, 1977, BRINGING RATE TO ZERO ON LATTER DATE.

4. PROTOCOL 3 LAYS DOWN RULES OF ORIGIN WHICH APPEAR TO BE MORE DETAILED AND RESTRICTIVE THAN EC/EFTA RULES OF ORIGIN. PROTOCOL 4 ALLOWS FINLAND TO RETAIN QUANTITATIVE RESTRICTION ON CERTAIN PRODUCTS SUCH AS COAL, CERTAIN PETROLEUM OILS, ASPHALT AND PHOSPHATIC AND POTASSIC FERTILIZERS. THESE QUANTITATIVE RESTRICTIONS MAY BE RETAINED BY FINLAND ONLY IF THEY ALLOW CZECHOSLOVAKIA TO COMPETE ON "AIR AND EQUAL TERMS" WITH OTHER POTENTIAL SUPPLIERS.

5. MAIN DIFFERENCE BETWEEN THIS AND FREE TRADE AGREEMENTS WITH BULGARIA AND HUNGARY IS THAT FINDING AND DEFINING QUID PRO QUO FROM CZECHOSLOVAKIA TO MATCH FINNISH ABOLITION OF TARIFFS ON MANUFACTURED GOODS WAS PROBLEM. THIS HAD TO BE DONE IF SPIRIT AT LEAST OF GATT REQUIREMENT THAT THERE BE MUTUAL REDUCTION OF TARIFFS IN SUCH FREE TRADE AGREEMENTS WERE TO BE SATISFIED. FOREIGN TRADE MINISTER JERMLAINE ALLUDED TO THIS PROBLEM DURING HIS MEETING IN HELSINKI ON MAY 22 WITH AMBASSADOR HAROLD MALMGREN, DEPUTY SPECIAL REPRESENTATIVE FOR TRADE NEGOTIATIONS (SEE ESPECIALLY PRA. 3 OF REFTEL B). THE "SOLUTION" EMBODIED IN FINNISH-CZECH AGREEMENTS IS ARTICLE 9 WHICH READS: QUOTE. CZECHOSLOVAKIA SHALL USE THE MEANS PROVIDED BY THE CZECHOSLOVAK ECONOMIC SYSTEM WHICH, IN ADDITION TO CUSTOMS DUTIES, HAVE A BEARING ON THE ACCESS OF FINNISH GOODS TO THE CZECHOSLOVAK MARKET IN A MANNER WHICH WILL PROVIDE FOR THE FINNISH EXPORTS ADVANTAGES CORRESPONDING TO THOSE ENJOYED BY THE CZECHOSLOVAK EXPORTS ON THE FINNISH MARKET AS A RESULT OF THE LIBERALISATION MEASURES TAKEN BY FINLAND UNDER THIS AGREEMENT. END QUOTE.

6. IT IS CONCEDED BY FINLAND AND PRESUMABLY CZECHOSLO-
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VAKIA THAT LATTER'S CUSTOMS TARIFFS HAVE NO EFFECT ON HER IMPORT TRADE, WHICH IS ENTIRELY CONDUCTED BY STATE TRADING ORGANIZATIONS UNDER GUIDANCE OF CZECH MINISTRY OF TRADE. ARTICLE 3 OF AGREEMENT WHICH CALLS FOR BOTH PARTIES TO REDUCE DUTIES (WITH IMPORTANT EXCEPTIONS ON FINNISH SIDE DESCRIBED IN PARA. 3 ABOVE) TO ZERO BY JULY 1, 1977, THEREFORE WILL GIVE FINNISH EXPORTS NO REAL ADVANTAGE IN CZECHOSLOVAKIA BUT WILL IMPROVE COMPETITIVE POSITION OF CZECH GOODS ON FINNISH MARKET. FINLAND WILL BENEFIT ONLY WHEN AND IF CZECH IMPORT ORGANIZATIONS DECIDE TO PURCHASE MORE FINNISH GOODS.

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CIAE-00 COME-00 DODE-00 FRB-03 H-03 INR-11 INT-08

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R 020720Z OCT 74

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7. ECONOMIC/COMMERCIAL COUNSELOR HAS DISCUSSED NEW
FINNISH-CZECH FREE TRADE AGREEMENT, WHICH WILL COME
INTO EFFECT FIRST DAY OF SECOND MONTH AFTER APPROVAL BY
FINNISH PARLIAMENT AND APPROPRIATE CZECH BODY AND
EXCHANGE OF APPROVAL DOCUMENTS, WITH KAARLO YRJO-KOSKINEN,
DEPUTY HEAD, ECONOMIC AND TRADE DEPARTMENT, MINISTRY FOR
FOREIGN AFFAIRS. HE SAID THAT THIS TYPE OF FREE TRADE
AGREEMENT WITH AN EASTERN EUROPEAN STATE TRADING COUNTRY
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WITH NO EFFECTIVE CUSTOMS TARIFFS WAS TO SOME EXTENT AN EXPERIMENT. FINNS WOULD BE WATCHING COURSE OF TRADE CLOSELY TO SEE WHETHER TRADE KEPT MORE OR LESS IN BALANCE AS, IT WAS HOPED, TOTAL TRADE VOLUME INCREASED. HE SAID THAT ONE OF MAIN REASONS FINNS ARE INTERESTED IN CONCLUDING THESE FREE TRADE AGREEMENTS WITH SMALLER EASTERN EUROPEAN COUNTRIES IS TO INCREASE TRADE LEVEL, WHICH IS NOW LOW AND "STAGNATING". FINLAND'S TRADE WITH CZECHOSLOVAKIA IN 1973, FOR INSTANCE, A FINNMARKS 135 MILLION (ABOUT DOLS 35.5 MILLION) AMOUNTED TO ONLY 0.4 PERCENT OF FINLAND'S TRADE WITH ALL COUNTRIES. CZECH EXPORTS MOSTLY FINISHED GOODS TO FINLAND, WHILE CHEMICAL WOOD PULP IS FINLAND'S MAIN EXPORT THERE, ACCOUNTING FOR SOME 35-45 PERCENT OF THE ANNUAL TOTALS. BECAUSE HER SUPPLY OF WOOD PULP FOR EXPORT IS DECREASING AS MORE IS USED AT HOME FOR PROCESSING INTO HIGHER-VALUE PAPER AND PAPERBOARD, FINLAND HOPES TO SELL MORE FINISHED MANUFACTURED GOODS TO CZECHOSLOVAKIA, INCLUDING CONSUMER GOODS SUCH AS CLOTHING, SHOES AND TEXTILES. HOWEVER, CZECHOSLOVAKIA EXPORTS THESE TYPES OF ITEMS TO FINLAND, SO THE CZECH BUYING ORGANIZATIONS MAY NOT WISH TO IMPORT SIMILAR ITEMS.

8. YRJO-KOSKINEN STATED THAT FINLAND WOULD NOT HESITATE TO USE SAFEGUARD PROVISIONS OF AGREEMENT IF, FOR INSTANCE, CZECHOSLOVAKIA DID NOT LIVE UP TO ITS IMPLIED COMMITMENT TO IMPORT ENOUGH ADDITIONAL FINNISH PRODUCTS TO KEEP TRADE ROUGHLY IN BALANCE AS CZECH EXPORTS TO FINLAND INCREASE. IT WOULD ALSO ACT TO COUNTER ANY SERIOUS DISRUPTION TO FINNISH PRODUCERS BY, FOR INSTANCE, CZECH DUMPING.

9. YRJO-KOSKINEN SAID HE HAD BEEN SPECIFICALLY ASKED BY FOREIGN TRADE MINISTER LAINE TO OFFER THROUGH THIS EMBASSY TO MEET AMBASSADOR MALMGREN, HOPEFULLY IN EUROPE DURING SOME UPCOMING MALMGREN TRIP, FOR PURPOSE OF BRIEFING HIM ON THE FINNISH-CZECH FREE TRADE AGREEMENT, FURTHER DISCUSSION OF BULGARIAN AND HUNGARIAN AGREEMENTS AND GIVING PROGRESS REPORT ON NEGOTIATIONS WITH EAST GERMANY AND POLAND. (ROMANIA ORIGINALLY REACTED NEGATIVELY TO FINNISH PROPOSAL OF SIMILAR AGREEMENT BECAUSE IT WAS CONTENT WITH PREFERENTIAL TRADE STATUS IT ENJOYED AS LDC LIMITED OFFICIAL USE

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BUT RECENTLY HAS EVINCED A SLIGHT INTEREST IN ENTERING INTO SUCH AN AGREEMENT WITH FINLAND. YUGOSLAVIA IS NOT INTERESTED.) PLEASE ADVISE WHETHER MALMGREN WISHES TAKE ADVANTAGE OF THIS OFFER.

10. ONE COPY CZECH AGREEMENT BEING AIRPOUCHED TO AMB.
MALMGREN AND TO STATE, EB/ITP/OT/TA. OTHER COPIES ARE
BEING SENT TO AMEMBASSY PRAGUE AND TO USMISSION GENEVA.
WE ARE SECURING COPIES OF THE LONG-TERM "FRAMEWORK
AGREEMENT" ON TRADE, WHICH WAS ALSO SIGNED DURING HUSAK
VISIT AND WILL FORWARD COPIES WHEN RECEIVED.
KREHBIEL

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC COOPERATION, AGREEMENTS, PUBLICATIONS, MEETING DELEGATIONS, TRADE AGREEMENTS, TARIFF LIBERALIZATION
Control Number: n/a
Copy: SINGLE
Draft Date: 02 OCT 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: garlanwa
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740277-1118
From: HELSINKI
Handling Restrictions: n/a
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Legacy Key: link1974/newtext/t19741080/aaaacqnp.tel
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Reference: A) HELSINKI 1116; B) HELSINKI 1034; C) HELSINKI 1915
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TAGS: EEWT, FI, CZ, XH, GATT
To: STATE
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